

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, ESQ., *Executive Director*

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## MEMORANDUM

TO: Waltham Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 23, 2021

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule assumes payments are made on average on July 1 of each fiscal year. The schedule is effective in FY22 (since the amount under the prior schedule was maintained in FY22) and is acceptable under Chapter 32.

Although we are approving the schedule, we have serious concerns regarding the plan assumptions. The System maintained the 7.75% investment return assumption from 2019 in this valuation. In our 2019 approval we noted we had generally recommended an assumption between 7.0% and 7.25% at that time. We are recommending an assumption of 7.0% (or lower) for our 2021 actuarial valuations. For comparison, 34 systems are currently using an assumption of 7.0% or below. We expect this to increase to about 40 when all the 2021 valuations are completed. There are 74 systems using an assumption of 7.25% or below.

Our reasonable range for our 2021 valuations is 6.0% to 7.45%. Note that your assumption is significantly greater than the high end of our reasonable range. This means that if we were the actuary for the plan, we would not allow that assumption and would request you find another actuary if the Board insisted on using it. If we were to complete the work using that assumption, we would provide extensive detail as to what the plan liabilities would be using our recommended assumptions. We expect the plan's actuarial liability would increase about 10% (\$47 million) using our recommended assumptions.

We also note that although you use a current mortality assumption, mortality improvement is only projected to 2025. PERAC's mortality assumption does not limit the length of mortality improvements to a specific year. PERAC's methodology is common practice based on our experience. Note that there was a mortality loss of approximately \$8 million in this valuation.

We are available to discuss these issues further. If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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## Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Unfunded Liability**	Funded Ratio %**
2022	\$6,008,966	\$1,918,525	\$17,881,475	\$19,800,000	29.7	\$180,957,824	61.5
2023	6,287,034	1,915,342	19,072,658	20,988,000	30.5	176,393,904	64.0
2024	6,577,206	1,909,587	20,358,681	22,268,268	31.2	170,244,314	66.7
2025	6,879,989	1,901,082	21,725,550	23,626,632	32.0	162,305,388	69.5
2026	7,195,909	1,889,643	23,201,840	25,091,483	32.8	152,332,348	72.6
2027	7,525,516	1,875,074	24,772,081	26,647,155	33.7	140,053,969	75.9
2028	7,869,380	1,857,170	26,442,109	28,299,279	34.6	125,194,063	79.4
2029	8,228,096	1,835,717	28,218,117	30,053,834	35.5	107,448,980	83.0
2030	8,602,281	1,810,486	30,169,990	31,980,476	36.5	86,485,109	86.9
2031	8,992,581	1,781,241	32,243,714	34,024,955	37.5	61,870,442	91.1
2032	9,399,664	1,747,730	34,457,884	36,205,614	38.6	33,195,557	95.4
2033	9,824,226	1,709,692	0	1,709,692	1.8	(0)	100.0
2034	10,266,994	1,666,850	0	1,666,850	1.7	(0)	100.0
2035	10,728,720	1,618,915	0	1,618,915	1.6	(0)	100.0
2036	11,210,190	1,565,583	0	1,565,583	1.5	(0)	100.0
2037	11,712,221	1,506,534	0	1,506,534	1.4	(0)	100.0
2038	12,122,148	1,559,262	0	1,559,262	1.4	(0)	100.0
2039	12,546,424	1,613,837	0	1,613,837	1.4	0	100.0
2040	12,985,549	1,670,321	0	1,670,321	1.4	0	100.0
2041	13,440,043	1,728,782	0	1,728,782	1.4	0	100.0
2042	13,910,444	1,789,289	0	1,789,289	1.4	0	100.0
2043	14,397,310	1,851,915	0	1,851,915	1.4	0	100.0
2044	14,901,216	1,916,732	0	1,916,732	1.4	0	100.0
2045	15,422,758	1,983,817	0	1,983,817	1.4	0	100.0
2046	15,962,555	2,053,251	0	2,053,251	1.4	0	100.0
2047	16,521,244	2,125,115	0	2,125,115	1.4	0	100.0
2048	17,099,488	2,199,494	0	2,199,494	1.4	0	100.0
2049	17,697,970	2,276,476	0	2,276,476	1.4	0	100.0
2050	18,317,399	2,356,152	0	2,356,152	1.4	0	100.0
2051	18,958,508	2,438,618	0	2,438,618	1.4	0	100.0
2052	19,622,055	2,523,969	0	2,523,969	1.4	0	100.0
2053	20,308,827	2,612,308	0	2,612,308	1.4	0	100.0

\*\* Beginning of Fiscal Year